CDCI ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First M&F Corporation/M&F Bank

Point of Contact:	John G. Copeland	RSSD: (For Bank Holding Companies)	1095982
UST Sequence Number:	344	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	30,000,000	FDIC Certificate Number: (For Depository Institutions)	9361
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 27, 2009	City:	Kociusko
Date Repaid[1]:	N/A	State:	Mississippi

[1] If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

The CDCI capital injected to the bank subsidiary improved capital ratios sufficiently to avoid extraordinary de-leveraging which may have required a reduction in lending above and beyond the intentional reduction of disproportionate risk categories e.g. A,C & D lending.

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X **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

CDCI capital serves to support new loan products at M&F Bank including church lending, SBA Lending, agri/timber- land lending, owner-occupied CRE, consumer and mortgage originations, all of which have allowed M&F to diversify its loan portfolio (lower risk) and serve its customer base.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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X **Increase reserves for non-performing assets.**

Throughout 2011, M&F Bank continued to re-mediate and resolve credit issues by recognizing impairments in the loan portfolio through charge-offs and additional provisions to the reserve for loan loss supported by CPP/CDCI capital.

☐ **Reduce borrowings.**

X **Increase charge-offs.**

Loan impairments slowed in 2011 versus 2009 and 2010 but were still supported by CPP/CDCI capital supporting charge-offs throughout 2011.

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☐ **Purchase another financial institution or purchase assets from another financial institution.**

X **Held as non-leveraged increase to total capital.**

$25 million of the $30 million in CPP/CDCI capital was pushed down to M&F Bank with $5 million retained at the parent.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The capital infusion allowed bank subsidiary M&F Bank to remain "well-capitalized" while continuing to recognize impairments and charge-offs in 2011 on primarily collateral-dependent acquisition, construction and development loans. This allowed M&F to avoid:1. attempting to access the capital markets at a time when new capital was not available or, if available, at a time when such capital would have been issued at severely unfavorable terms and,2. decreasing banking services offered, decreasing retail and consumer deposit product choices and drastically shrinking the balance sheet at the cost of severely limiting customer services and access to products as well as limiting the bank's ability to support higher earnings.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Company was able to maintain the Bank's "well-capitalized" status without significant curtailment of services offered in any markets.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.